99th Congress
1st Session

COMMITTEE PRINT

S. PRT.
99-1

REPORT

ON THE

STAFF REVIEW OF ALLEGATIONS CONCERNING SENATOR MARK O. HATFIELD

JANUARY 10, 1985

Printed for the use of the Select Committee on Ethics

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1985

40-666 O

S352-1

SELECT COMMITTEE ON ETHICS

TED STEVENS, Alaska, *Chairman*
HOWELL HEFLIN, Alabama, *Vice Chairman*

JESSE HELMS, North Carolina
DAVID DURENBURGER, Minnesota
DAVID PRYOR, Arkansas
THOMAS R. EAGLETON, Missouri

BONNIE ST. CLAIR PARKER, *Staff Director*
WILSON R. ABNEY, *Counsel*
WILLIAM B. CANFIELD III, *Counsel*
CLENDON H. LEE, JR., *Counsel*

The Select Committee on Ethics submits this Report pursuant to Article I, Section 5, Clause 2, of the Constitution of the United States of America and Section 2(a)(1) of S. Res. 338 (88th Congress) to make "appropriate findings of fact and conclusions with respect thereto" relating to the conduct of an individual in the performance of his duties as a Member of the Senate.

I. Introduction

On July 23, 1984, it was reported in a newspaper column that Antoinette Hatfield, the wife of Senator Mark O. Hatfield, had received $40,000 in payments during 1982 and 1983 from Basil Tsakos, "a Greek arms merchant who had enlisted the Senator's support in promoting a trans-African oil pipeline." The column went on to state that the Senator acknowledged that his wife had received the payments, that they were unconnected to his interest in the pipeline project, and that they were paid to Mrs. Hatfield "in connection with a real estate transaction" and as a "finders fee" paid after Mrs. Hatfield had located a Watergate condominium which the Tsakoses had purchased. The Senator was also said to have indicated that some of the money was for consulting work related to the remodeling of the apartment.

This and other stories appearing in the New York Times, the Washington Post, and foreign newspapers, quoted several "former Tsakos associates" as saying that the payments made to Mrs. Hatfield lacked consistency, could not be related to any known work which Mrs. Hatfield had performed for the Tsakoses, were not related to the Tsakoses purchase of the Watergate condominium because an identified third party had been compensated by Tsakos for finding the apartment, and were of such magnitude and timing, and so interrelated to the Senator's expressed interest in the pipeline project, as to lead to the conclusion that the Senator was, in fact, being indirectly compensated by Mr. Tsakos for the Senator's efforts in promoting the pipeline project.

The Chairman and Vice Chairman of the Select Committee directed the Committee staff to review the allegations and interview the persons who were making the charges about Senator and Mrs. Hatfield. The following is a report on the interviews that were conducted and the findings and conclusions that were reached as the result of this review.

II. Procedural History

On August 9, 1984, the Chairman and Vice Chairman of the Select Committee directed Committee staff to gather information regarding the activities of Senator and Mrs. Mark O. Hatfield in relation to Mr. and Mrs. Basil Tsakos. The decision of the Chairman and Vice Chairman was prompted by press accounts which re-

ported that Mr. and Mrs. Tsakos had written checks totaling $40,000 to Mrs. Hatfield for what were assertedly real estate-related services, and by the statements of four individuals who had been employees of Mr. Tsakos which called into question the propriety of these transactions. These press accounts and statements had raised questions as to whether Mrs. Hatfield had in fact performed real estate-related services for the Tsakoses, and whether the payments were an indirect attempt to provide compensation to Senator Hatfield for his actions regarding a multinational construction and service project headed by Mr. Tsakos.

The focus of the staff inquiry was directed at two specific issues:

1. Was there any evidence that Senator Hatfield was improperly influenced in the performance of his official duties by the payment of a bribe in connection with a proposal to construct a Trans-Africa oil pipeline?

2. If Senator Hatfield was improperly influenced by the payment of a bribe, was the bribe carried out by payments to Mrs. Hatfield for nonexistent work.

These questions were deliberately focused solely on the actions of Senator Hatfield and on the extent of Mrs. Hatfield's real estate services. The inquiry avoided other unrelated topics, such as alleged arms sales by Mr. Tsakos.

The Chairman and Vice Chairman directed that interviews be conducted with a core group of individuals likely to have information about the relationship between the Hatfields and the Tsakoses. Those interviewees in turn provided the names of others with knowledge of the facts involved or experts in the Washington, D.C., real estate market.

Staff interviewed a total of 22 people, incuding four real estate professionals with no relationship to Mrs. Hatfield. Fifteen of the interviews were taken as sworn depositions. Four depositions were unsworn and three were informal interviews of which no transcript was made. The depositions total more than 700 pages.

III. Confidentiality

Due to the confidentiality of the inquiry, and in order to secure the fullest and freest possible testimony, all witnesses interviewed were told that the transcript of their testimony would not be publicly released. Accordingly, transcripts of those interviews will not be released.

In addition, some witnesses requested that their identities remain confidential. These witnesses were real estate professionals who did not have personal knowledge of the matter under review but who could provide information on prevailing real estate practices. These witnesses will not be identified by name in this report.

IV. Background Summary

In 1980, Basil Tsakos, a Greek citizen and international businessman, came to the United States to bring to fruition his plan to build a Trans-Africa pipeline which would carry Middle Eastern crude oil across sub-Saharan Africa from the Red Sea to the Atlantic Ocean, thus avoiding the potential problems surrounding tanker traffic through the Straits of Hormuz. Late that year, Tsakos was

introduced to Carl Shipley, who was associated with Financial General Bankshares, a Washington-based, financial holding company. At about the same time, Tsakos met Robert Ferneau, who was also associated with Financial Bankshares. Both Shipley and Ferneau began working with Tsakos on the pipeline project. Shipley became president of the Trans-Africa Pipeline Company (TAPCO), Tsakos' creation, which was first incorporated in Maryland and later incorporated in Delaware. At about this time, Tsakos met Joseph Rosenbaum, a business consultant. Mr. Rosenbaum became a director of TAPCO.

Tsakos, Shipley, Rosenbaum, and Ferneau realized that, while U.S. Government approval would not be required for the building of the pipeline, its active support for, or opposition to, the proposal could be very important to its success. They therefore presented the pipeline concept to representatives of a number of Executive Branch agencies, including State, Defense, Energy, and the Central Intelligence Agency.

Having been in residence at the Watergate Hotel since their arrival in the United States, Mr. and Mrs. Tsakos decided to purchase a residence in Washington. Mrs. Nancy Shipley, aware of the Tsakoses interest in finding a home, invited Mrs. Antoinette Hatfield to a July 31, 1981 luncheon. Mrs. Hatfield was (and remains) a Washington real estate agent. At that time she had her own company, Antoinette Hatfield, Inc. (While it is possible that the Hatfields may have met the Tsakoses at some social function at a date prior to July 31, 1981, it appears that the professional and social relationship between the Hatfields and the Tsakoses can be traced to July 31, 1981).

Following the luncheon, Mrs. Hatfield began the process of showing Mrs. Tsakos potential residences.

In late 1981, the Tsakoses purchased, directly from the seller, an apartment at the Watergate. Having bought directly from the seller, the Tsakoses were not legally obligated to pay a real estate fee to Mrs. Hatfield. On November 30, 1981, a check for $15,000 was made out to Antoinette Hatfield, Inc., which according to testimony was to compensate Mrs. Hatfield for her time and efforts on the Tsakoses behalf. (Over the next two and one-half years, four additional checks totaling $40,000 were given to Mrs. Hatfield).

In late June 1982, Margaret Stocker Chow, a Swiss citizen employed by Tsakos in Geneva, moved to Washington to work on the pipeline project. Working out of Rosenbaum's office in McLean, Chow also became involved with the renovation of the Tsakoses Watergate apartment. Mrs. Chow's involvement in the renovation appears to have commenced some five to six months after the apartment had been purchased by the Tsakoses.

On August 23, 1982, Basil Tsakos invited Senator Hatfield and Carl Shipley to dinner at a Washington restaurant. According to Senator Hatfield, this was the first substantial discussion he had with Tsakos concerning the pipeline project. Senator Hatfield testified that as of August 23, 1982, he knew that his wife was providing real estate services to the Tsakoses and was being compensated for performing those services. Having become interested in the idea of a Trans-Africa oil pipeline, Senator Hatfield began to express his support for the concept as an alternative to increasing the U.S.

military presence in the Middle East in order to protect sea lanes which carry much of the West's oil supplies.

By early 1983, TAPCO began to experience personnel difficulties assertedly because of differences over the direction of the project and the personalities of the principals. Thus, following Carl Shipley's resignation in early 1983, Keith Norman, a British citizen and business consultant, became vice president of TAPCO and project director in April 1983. Norman resigned in early 1984.

In October 1983, Margaret Mangan, a U.S. citizen and former Senate aide, was employed by TAPCO on a consulting contract. She, and her husband, David, who was also a contract consultant for the project, were terminated in early 1984.

Late in 1983, Ferneau decided to resign from TAPCO and in late December 1983, Chow also resigned.

During this period of corporate personnel changes, Mr. Tsakos continued to advance the project in Washington as well as in Africa.

V. Allegations Presented to the Select Committee

The information assembled by the staff of the Select Committee concerning Senator and Mrs. Hatfield consisted in the main of sworn testimony of individuals who either were or said they were personally familiar with the relationships of Senator Hatfield and Mrs. Hatfield with Mr. and Mrs. Basil Tsakos.

The first testimony was taken on August 1, 1984 in a joint interview of Margaret Stocker Chow and Marilyn Mangan, both of whom reside in Washington, D.C.

A. Mrs. Margaret Stocker Chow, a Swiss citizen, came to Washington to work as Mr. Tsakos' personal secretary in June 1982, having worked for him in Geneva the year before. She continued her employment with Tsakos until December 1982, when she returned to Switzerland. In April 1983, she resumed her employment with Tsakos in Washington and continued with him until she resigned in December 1983. She attributed her resignation to difficult working conditions imposed by Mr. Tsakos.

Chow stated that while she had no direct evidence of wrongdoing by Senator or Mrs. Hatfield, she suspected that payments by the Tsakoses to Mrs. Hatfield were made to secure the Senator's support for Tsakos' pipeline project rather than for services actually rendered by Mrs. Hatfield. She noted that her suspicions of Mr. Tsakos' motives were based on knowledge of Mr. Tsakos' pattern of operations in Europe.

She testified that she approached the Ethics Committee staff because she believed two statements made by Senator Hatfield and reported in the press concerning the payments to Mrs. Hatfield and the services she performed were untrue: (1) that Mrs. Hatfield received money from Mr. and Mrs. Tsakos for supervision of the renovation of a cooperative apartment owned by Mr. and Mrs. Tsakos in the Watergate building, and (2) that Mrs. Hatfield had made the introduction which enabled the Tsakoses to purchase the Watergate apartment. Mrs. Chow said that Mrs. Hatfield had not supervised the renovation of the Watergate apartment. She further stated that she would have known if Mrs. Hatfield had performed

any real estate work for Mr. and Mrs. Tsakos because she was intimately familiar with their financial affairs from her position as Mr. Tsakos' personal and confidential secretary and from what she described as her additional function as "supervisor" of the renovation of the Tsakoses Watergate apartment. She said she saw the Hatfields in the Tsakoses apartment only on social occasions and that she never heard Mrs. Hatfield's name come up in any real estate-related conversation with either Mr. or Mrs. Tsakos.

Concerning the introduction which was said to have enabled the Tsakoses to purchase the cooperative apartment at the Watergate, Chow testified that she was specifically told by Basil Tsakos that a Susan Hurley had arranged for the introduction of the apartment owners (Mr. and Mrs. David Yerkes) and that Hurley was to be compensated by check in the amount of $5,000 for this effort. Mrs. Hatfield, she said, was not mentioned by Mr. Tsakos in regard to this transaction.

Chow said she never saw Mrs. Hatfield in the apartment until very late in 1982, well after the renovation had been completed and that Mrs. Tsakos never mentioned to her that Mrs. Hatfield was assisting the Tsakoses with any real estate matters.

However, she said she had personal knowledge of one, unexplained payment to Mrs. Hatfield. In August 1982, she accompanied Mrs. Tsakos to the Riggs Bank Branch in the Watergate Building to have two $7,500 cashier's checks prepared. At the time, she was told by Mrs. Tsakos to place the initials "AH" in her ledger as the payee. Although at the time Mrs. Chow did not connect these initials with any specific individual, she found this significant because it duplicated a procedure previously used by Basil Tsakos on several occasions in Europe to make payments to individuals whose identity Tsakos apparently intended to conceal by the use of a codename or initials. In the summer of 1983 she learned, through a former Tsakos chauffeur, Alois Fahringer, of the existence of another check for $15,000 and made payable to Mrs. Hatfield which Fahringer had seen in the Tsakoses Watergate apartment. Thus, Chow made a connection with the use of the initials "AH" for the two August 1982 checks.

In addition, Chow stated that Senator Hatfield, in her presence, had expressed his view that the concept embodied in the pipeline project was important because of its strategic considerations.

Chow stated that Basil Tsakos told her, in the fall of 1982, that he was anxious for Senator Hatfield's assistance on the trans-Africa Pipeline Co. project and she recalls that Tsakos' interest in the Senator's help was expressed at the time Tsakos had learned of the development of a rival pipeline company by Joseph Rosenbaum.

Chow stated that she made a connection between Tsakos' interest in the Senator's help and the fact that she was present in the Tsakoses' Watergate apartment on one occasion when Basil Tsakos offered the TAPCO presidency to Senator Hatfield. She recalls that the Senator declined the offer but said that he would be willing to help in any way that he could.

Chow stated that Basil Tsakos never told her that he was making money available to Mrs. Hatfield in consideration for her husband's efforts regarding the project. She related, however, that

Tsakos had followed a practice of making payments in Europe to individuals to influence their conduct.

B. Mrs. Marilyn Mangan testified that she worked as an assistant to Mr. Tsakos in the TAPCO office from October 1983 to February 1984. She said her employment was terminated over a dispute about her use of leave to attend a funeral of a relative. Additionally, her husband was employed by TAPCO at about the same time as an economic consultant and was also terminated around February 1984.

Mangan testified that while she had no direct evidence of wrongdoing by Senator or Mrs. Hatfield, she suspected (based on conversations with Mrs. Chow and Keith Norman) that payments to Mrs. Hatfield were made to secure the Senator's support for the pipeline project rather than for services actually rendered by Mrs. Hatfield.

Mrs. Mangan testified that Mr. Tsakos appeared to treat Senator Hatfield as an "errand boy", citing an instance in which she personally placed a call for Tsakos to Senator Hatfield, who was then in London. Mangan recalls that Tsakos was attempting to persuade Senator Hatfield to travel to Khartoum, the Sudan, to talk with Sudanese authorities on behalf of the TAPCO project, and bases her characterization of Tsakos treating Senator Hatfield as an "errand boy" on Tsakos' behavior before he spoke to the Senator by telephone.

Mangan also testified that Tsakos occasionally said he would like to have Senator Hatfield serve as president of TAPCO. She testified that Tsakos raised this issue at a TAPCO board meeting in January, 1984.

Finally, Mangan provided a copy of a letter from Senator Hatfield to Mr. Tsakos. The letter, dated December 16, 1983 set forth Senator Hatfield's view that an oil pipeline across northern Africa could provide the United States with significant political and security advantages. Mangan testified that Tsakos was excited about the Hatfield letter but was disappointed that the letter bore his home address rather than that of the TAPCO office in the Watergate Office Building. Mangan said that at Tsakos' direction, she subsequently requested that Senator Hatfield's office prepare a second letter addressed to Tsakos as president of TAPCO. This letter was prepared and is dated January 3, 1984. (Copies of both the December 16 and January 3 letters were provided to the Committee by Senator Hatfield on August 3, 1984 and are included in the Appendix). Mangan testified that in the period after the receipt of the December 16 letter, but prior to the receipt of the January 3 letter, Tsakos directed her to help prepare certain alterations to the December 16 letter to reflect his office address instead of his home address. In addition, there was testimony that Tsakos materially altered various passages of the Senator's letter and then made a copy of the altered letter available to the Sudanese Ambassador in Washington.

However, despite her suppositions and assumptions, Mangan testified that she was never personally involved in any discussions with Basil Tsakos regarding payments being made to Mrs. Hatfield and was never present at any meetings between Tsakos and the Hatfields, either social or business. She agreed that she had no personal knowledge as to whether Mrs. Hatfield provided, on behalf of

Mrs. Tsakos, real estate consulting services, and no personal knowledge of any financial arrangements between the Hatfields and the Tsakoses.

C. Mr. H. Robert Ferneau testified on August 14, 1984. He said he met Basil Tsakos in late 1980 or early 1981 as the result of Tsakos' approach to Financial General Bankshares, a Washington, D.C., based financial holding company, Ferneau's then employer. Tsakos offered him a consulting position at TAPCO which he accepted. Sometime later, Ferneau became a Vice President of TAPCO, and later a director of the company. He stated that his function was to promote Tsakos' pipeline project within the Federal government and secure the necessary international concession agreements.

Ferneau testified that he believed that Mr. Tsakos' payments to Mrs. Hatfield were intended to buy the influence of Senator Hatfield. Ferneau noted, however, that he did not think that Senator Hatfield "would have looked at it the same way." He further stated that he did not believe that Senator Hatfield's efforts on behalf of the pipeline were motiviated by the payments made to Mrs. Hatfield.

He testified that Basil Tsakos indicated to him that Tsakos was interested in having Senator Hatfield's help on the pipeline project, but did not recall Tsakos ever stating that he would bribe the Senator or that he had paid a bribe to Senator Hatfield. However, he recalled that Basil Tsakos had boasted about "taking care" of Senator Hatfield and getting what he needed from the Senator, and stated that this was characteristic of the way Tsakos talked in general.

As to the public statements made by the Senator regarding these allegations, Ferneau testified that he did not recall Tsakos ever mentioning that the services of Mrs. Hatfield were being used regarding real estate. Similarly, he said he did not believe that Mrs. Hatfield played any role regarding the supervision and renovation of the Watergate apartment, because it was his recollection that he was personally present when much of the renovation work was undertaken.

He testified that he is of the opinion that Tsakos decided to make payments to Mrs. Hatfield as a form of "retainer", thus hoping to "buy the influence" of the Senator, although he doesn't feel that the Senator would have looked at the payments to Mrs. Hatfield in that light.

He recalled that Basil Tsakos often mentioned that Senator Hatfield might one day become TAPCO president but he did not believe the offer would be accepted. Ferneau stated that Tsakos mentioned to the TAPCO board of directors the possibility of Hatfield joining TAPCO.

Ferneau said that on one occasion, Basil Tsakos told him that he, Tsakos, was making payments to Mrs. Hatfield. He believes this conversation took place in later 1983 in connection with a meeting with an accountant, Carl Desmarais, who was reviewing Tsakos' personal and business financial documents prior to an outside audit of the TAPCO books.

Ferneau said he decided to sever his relationship with TAPCO in late 1983 for, among other reasons, the change in attitude toward

the project by Senator Hatfield, who had gone from a position of offering mere oral support to Tsakos to a more active role which included having an official Senate reception in late 1983 for the President of Sudan and writing the December 16th letter of support.

D. Mr. Keith Norman testified on August 24, 1984. He was also a former employee of Basil Tsakos. Norman, a British subject with a residence in Washington, D.C., testified that he began working for Tsakos in April 1983 as the project director of TAPCO. His role was to assess the economic and political feasibility of the proposed pipeline.

Norman testified that in late 1983 he became aware of payments made to Mrs. Hatfield. After talking with Robert Ferneau and Margaret Chow about these payments, and with his knowledge of Basil Tsakos' "modus operandi", had Mr. Norman concluded that Mr. and Mrs. Tsakos set about a program to influence and suborn Senator Hatfield through Mrs. Hatfield. Norman stated, however, that he had no direct evidence that the payments were in fact intended to influence the Senator.

Norman testified that he first met Senator Hatfield at a reception at the Tsakoses' Watergate apartment and recalled that in the course of their two-minute conversation, Senator Hatfield said he had read Norman's project analysis. Norman thought the Tsakoses' relationship with the Hatfields had as a motive an effort to get to know senior level American officials, and said he became suspicious of Tsakos' relationship with the Hatfields when Robert Ferneau implied to him, in December of 1983, that a $10,000 payment to Mrs. Hatfield was part of a conspiracy to influence Senator Hatfield.

VI. Testimony Which Contradicted the Allegations Presented to the Committee

A. Mr. Clemis Lascaris testified on August 29, 1984. Lascaris, an interior designer with a business located in Washington, D.C., testified that he met Mr. Tsakos during the Spring (April or May) of 1982. At that first meeting with Mr. Tsakos, Mr. Lascaris was asked to assist in the decoration and renovation of a Watergate apartment which the Tsakoses had recently purchased. Lascaris initially rejected Mr. Tsakos' request, though he later agreed to assist in the renovation.

After agreeeing to undertake the redecoration project, Mr. Lascaris visited the Watergate Apartment in May 1982 and on one of the first meetings there he was introduced to Mrs. Antoinette Hatfield, who was accompanying Mrs. Tsakos. During the course of that meeting, Mrs. Tsakos told Mr. Lascaris of the many different services Mrs. Hatfield was providing the Tsakoses. Lascaris particularly recalled Mrs. Tsakos telling him that Mrs. Hatfield was attempting to locate a house in the Washington, D.C., area for Mrs. Tsakos' son to purchase.

Mr. Lascaris worked for the Tsakoses from the Spring of 1982 until December 1982. During this time, Mr. Lascaris remodeled a bathroom, constructed closets and doors, and selected draperies for the apartment. During this period he had no personal contacts

with Mrs. Hatfield. Mr. Lascaris stopped working for Mr. Tsakos primarily as a result of difficulties between Tsakos and the Lascaris' staff, but also because Lascaris preferred to maintain complete control over the design on a project and the Tsakoses had employed a number of other contractors and tradesmen in the renovation.

Mr. Lascaris further testified that he has a clear and definite recollection that on one occasion Mrs. Tsakos told him, in the presence of Mrs. Chow, that Mrs. Hatfield was advising her on redecorating the apartment and other real estate-related matters. Mr. Lascaris also recollects that Mrs. Tsakos told him on another subsequent occasion, not in the presence of Mrs. Chow, of the work Mrs. Hatfield was doing for her.

Mr. Lascaris said that he had no knowledge of any relationship between Mr. and Mrs. Tsakos and Senator Hatfield. Mr. Lascaris indicated that it was his understanding that Mrs. Hatfield had offered not only real estate guidance to Mrs. Tsakos, but also advice on which Washington area stores to shop in, and where to purchase items needed for the apartment. Mr. Lascaris testified that, in his professional opinion, $55,000 was not an unusually high sum to pay for the services offered by a professional, such as Mrs. Hatfield, over a three year period.

B. Mr. Carl Desmarais was interviewed on August 16, 1984. Desmarais, a McLean, Virginia based C.P.A., said that he was first introduced to Basil Tsakos in January, 1984 and was given the task of putting the TAPCO books in order and separating the Tsakos' personal financial activities from those of the pipeline project. He stated that it was his understanding that his efforts were to be followed by an independent audit to be prepared by a major accounting firm.

He noted that in the course of his work, he observed that at least two personal checks from Mrs. Tsakos had been made payable to Mrs. Antoinette Hatfield and, when he inquired, he was informed by Mr. Tsakos and Robert Ferneau that these were personal rather than business expenses. He relied upon the counsel of Robert Ferneau to make such distinctions and said that Ferneau was in a position to know such details.

C. Mr. Edmund Pudleiner was interviewed on August 17, 1984 in Hollywood, Florida where he now resides. Pudleiner said he began an association with Antoinette Hatfield, Inc., in late 1981 as a carpenter/contractor/maintenance man on properties managed by the company.

He said he recalled that in 1982 (he believes in late spring or early summer), Mrs. Hatfield asked him to prepare a written estimate of renovation work for an apartment in the Watergate complex which he later learned had been purchased by the Tsakoses. At Mrs. Hatfield's direction, he went to the apartment and met with both Mrs. Tsakos and Mrs. Hatfield. From the conversation, he drew the inference that they had been having on-going discussions about the potential renovation of the apartment. Pudleiner testified that this meeting lasted three to four hours and on inspection of the apartment, he noted that someone had already begun tearing down walls as if to see the extent of the renovation work which might be required. The following day he submitted a written

estimate to Mrs. Tsakos but did not hear from the Tsakoses again. He informed Mrs. Hatfield that he had prepared an estimate but that he had not heard from Mrs. Tsakos. He believes that Mrs. Hatfield called Mrs. Tsakos in Europe. However, no contract was ever agreed to with the Tsakoses.

D. Mrs. Sandra Haffler was interviewed on August 19, 1984. She is a real estate agent who is and has been associated with Antoinette Hatfield. She first worked with Mrs. Hatfield at the Millicent Chatel Real Estate Agency, went with Mrs. Hatfield in 1980 when Mrs. Hatfield set up her own company, and now works at the Sam Pardoe Real Estate Agency in Washington, D.C.

Mrs. Sandra Haffler had a definite recollection of Mrs. Hatfield providing real estate services to Mr. and Mrs. Tsakos. She recalled that Mrs. Hatfield was trying to find a residence for Mr. and Mrs. Tsakos; she remembered "distinctly" Mrs. Hatfield being involved in the renovation and redecoration of the Tsakoses' apartment because she remembered Mrs. Hatfield getting Ed Pudleiner to give an estimate on the renovation. She recalled Mrs. Hatfield looking for an apartment for the Tsakoses' son and remembered Mrs. Hatfield making telephone calls in connection with the sale of a piece of property owned by the Tsakoses in Europe, a transaction which was being handled by Mrs. Hatfield. Mrs. Haffler stated that the services provided by Mrs. Hatfield went on for a long period of time.

While Mrs. Haffler stated that she had no knowledge of any written or oral agreement between Mrs. Hatfield and the Tsakoses concerning the payment of fees, in her professional opinion, such agreements generally were not reduced to writing.

E. Mrs. Jeanine Arnold was interviewed on August 31, 1984. She is a real estate agent who is and has been associated with Antoinette Hatfield. She met Mrs. Hatfield in 1973, worked with her at the Millicent Chatel Real Estate Agency from 1975–1979, went with Mrs. Hatfield when Antoinette K. Hatfield, Inc., was formed in 1980, and now works in the Sam Pardoe Real Estate Agency. Mrs. Arnold served as the bookkeeper for Antoinette Hatfield, Inc.

Mrs. Arnold said she had a definite recollection of Mrs. Hatfield providing real estate-related services to Mr. and Mrs. Tsakos. She mentioned that: Mrs. Hatfield showed the Tsakoses a number of potential residences; that Mrs. Hatfield contacted members of the Watergate Board of Directors concerning the Tsakoses' purchase; that Mrs. Hatfield worked on the renovation and redecoration of the Watergate apartment owned by the Tsakoses by (a) getting estimates from a contractor and (b) looking at rug samples, drapes and mirrors, and visiting stores with Mrs. Tsakos. She recalled that Mrs. Hatfield attempted to sell an overseas apartment for the Tsakoses and that Mrs. Hatfield consulted with Mrs. Tsakos about investment properties.

As bookkeeper for Antoinette K. Hatfield, Inc., Mrs. Arnold stated that she recorded in the corporate accounts of the company the checks that were received from Mr. and Mrs. Tsakos. Mrs. Hatfield told her that the checks from the Tsakoses were for "consulting" services.

Mrs. Arnold further stated that she had a specific recollection of one other instance in which Mrs. Hatfield received a similar con-

sulting fee from a client. Mrs. Arnold testified that it was her impression that Mrs. Tsakos was herself a businesswoman who appreciated the fact that Mrs. Hatfield's time was worth compensation.

F. Mr. Carl Shipley of Washington, D.C., was interviewed on September 6, 1984. He testified that he was outside legal counsel to Financial General Bankshares, and, in that capacity, first met Mr. Tsakos, who came into the bank looking for assistance with his pipeline project, in late 1980 or early 1981.

Shipley testified that within a few months of their first meeting, Shipley developed an interest in the pipeline concept because of its economic and strategic potential and soon thereafter was asked by Tsakos to become president of TAPCO. Shortly thereafter, the Tsakoses began to develop a social relationship with Mr. and Mrs. Shipley. As the result of this social relationship, it became clear to Mr. Shipley that the Tsakoses were interested in getting to know as many Washington people as they could. Mr. Shipley remembers Mr. Tsakos stating that they wanted to buy a home, invest in properties, and were anxious to establish themselves and to get the assistance they needed for the TAPCO project. Mrs. Tsakos expressed an interest in meeting someone to help them with real estate and Mrs. Shipley introduced her to Mrs. Hatfield. Mr. Shipley recalled that Mrs. Hatfield subsequently showed the Tsakoses residential property located near the Saudi Arabian Embassy on Massachusetts Avenue in Washington, D.C., as well as Joseph Rosenbaum's thirty-acre Virginia estate.

Mr. Shipley testified that one Sunday afternoon in 1982 or 1983, the Shipleys and the Hatfields visited the Tsakoses' Watergate apartment. Mr. Shipley's impression was that the Senator was not interested in the apartment and that there was not much interchange and no apparent close relationship between the Senator and Mr. Tsakos. Sometime thereafter, Shipley and Senator Hatfield joined Mr. Tsakos for dinner at the "La Fleur" restaurant on Wisconsin Avenue in Washington, D.C. While Shipley's recollection was that Senator Hatfield showed no keen interest in talking about the pipeline project and had little knowledge of it, it was also his impression that Mr. Tsakos had arranged the dinner so as to explain the project to the Senator.

Shipley also testified that, during a meeting between himself, Joseph Rosenbaum and Tsakos, Tsakos mentioned that he was buying an apartment in the Watergate complex. He also recalled that Joseph Rosenbaum, who was secretary-treasurer of the company, expressed some displeasure at the fact that the Tsakoses had purchased the apartment directly from the owner and that Rosenbaum had called Tsakos a "cheapskate" for not compensating Mrs. Hatfield for all of the work she had done. Shipley recalls that Tsakos was quite embarrassed and asked what he should do in such a circumstance. Shipley recalled a sum of $15,000 being mentioned as a measure of compensation which might be reasonable given the price of the apartment and the efforts undertaken by Mrs. Hatfield.

Shipley testified that by April 1983, he had withdrawn from the project and felt obligated to tell the Senator of his decision because he felt responsible for introducing the Senator and Mr. Tsakos, thus leading to the Senator's interest in the project. Additionally,

Shipley testified that he had sent the Senator a two-page document which purported to show that Tsakos had a criminal record in Greece. This "record", which, on its face, set forth a series of convictions against Tsakos by Greek magistrates, was received by Shipley from a source connected with one of the American engineering companies which had been studying the pipeline project for Mr. Tsakos.

G. Mrs. Nancy Shipley was interviewed on September 7, 1984. She testified that the first meeting between the Shipleys and the Tsakoses occurred as the result of Mrs. Shipley's husband's business association with Mr. Tsakos, as a lawyer for Financial General Bankshares, Inc.

Mrs. Shipley testified that after their initial meeting, she was aware that Mrs. Tsakos was interested in buying a Washington residence and offered to introduce Mrs. Tsakos to Mrs. Hatfield, which she did at a luncheon at Mrs. Shipley's Watergate apartment on July 31, 1981. Mrs. Shipley testified that she knew Mrs. Hatfield as a personal friend and as a successful real estate agent in the Washington, D.C., area.

Mrs. Shipley recalled subsequent conversations involving her, Mrs. Hatfield, and Mrs. Tsakos which concerned apartment-hunting and decorating. She recalls that her husband and Mr. Tsakos were also occasionally present during these conversations. She is sure that Mrs. Hatfield "showed 10 or 16 or a lot of properties" to Mrs. Tsakos, including a Washington, D.C. mansion located on Massachusetts Avenue, N.W. Mrs. Shipley testified that when Mrs. Tsakos later told Mrs. Shipley that Mrs. Tsakos had met somebody at a tea who had an apartment in the Watergate complex which was for sale and that she was planning to buy this apartment, Mrs. Shipley expressed her feeling that she did not think this arrangement was right. Mrs. Shipley was of the opinion that Mrs. Tsakos had extensively used the services of Mrs. Hatfield. Thereafter Mrs. Shipley talked with her husband about the issue and recalled that his advice was to bring the matter to Mrs. Tsakos' attention. Thus Mrs. Shipley decided to speak directly to Mrs. Tsakos about her feelings on the matter. At the same time, she told Mrs. Tsakos that Mrs. Hatfield might be able to help her with the Board of Directors at the Watergate, who were required to approve the purchase of a cooperative unit before the fact. She recalled that Mrs. Tsakos' reaction to her message was very sympathetic.

Mrs. Shipley testified that it was her recollection that the Tsakoses had moved into the apartment before it was completely decorated and furnished. Mrs. Shipley also recalled that at the time Mrs. Hatfield related her efforts to store cartons at the Hatfield's home for the Tsakoses and that Mrs. Hatfield transported furniture to the Tsakoses apartment in the Hatfield's station wagon. In addition, she recalls having the impression that Mrs. Hatfield loaned the Tsakoses some furniture during this period.

Mrs. Shipley testified that the only time she saw the Senator in the presence of the Tsakoses was at one of the Hatfield's Sunday night dinners to which the Shipleys took the Tsakoses. She did not observe any close conversation between the two.

According to Mrs. Shipley, Mrs. Tsakos and Mrs. Hatfield are both warm people who got along well together. They had a strong,

personal relationship. In her opinion, Mrs. Hatfield is a very creative person who cares about the property she sells, even after the actual transaction has been completed.

Similarly, she testified as to her impression that it was Mrs. Tsakos' nature to "throw herself upon someone to be helped and Mrs. Hatfield would respond to that and professionally see it as part of her obligation."

H. Mrs. Olga Esch was interviewed on September 11, 1984. She testified that she is a real estate agent who has known Mrs. Hatfield since 1966 and worked with her at both Millicent Chatel and Antoinette Hatfield, Inc., and now works with her at the Sam Pardoe Real Estate Agency.

Mrs. Esch stated that she had no knowledge of services performed by Mrs. Hatfield for Mr. and Mrs. Tsakos prior to April 1984, when Mrs. Hatfield told her she was getting a private, exclusive listing selling the Tsakoses' Watergate apartment. However, Mrs. Esch testified that she had personal knowledge that, in recent months, Mrs. Hatfield had been actively engaged in attempting to sell the Tsakoses' Watergate apartment. Mrs. Esch provided documentary evidence to support this assertion.

I. Mr. Joseph Rosenbaum was interviewed on September 14, 1984. Mr. Rosenbaum described himself as a consultant to international businesses. He stated that he had served as a member of the first board of directors of the Trans-Africa Pipeline Company (TAPCO), and stated that he did not recall Senator Hatfield's name ever being mentioned in connection with the Trans-Africa Pipeline Project. However, he did recall a meeting involving Basil Tsakos and Carl Shipley during which the payment of fees to Mrs. Hatfield for services involving real estate was discussed. Rosenbaum testified that it was his recollection that at some point in the past Mr. Tsakos had utilized the services of a doctor who had been recommended by Rosenbaum, but that Mr. Tsakos had failed to pay the doctor's bill. Rosenbaum also knew that Mr. Tsakos had not paid a law firm for expenses incurred on Mr. Tsakos' behalf. This pattern distressed Rosenbaum and he testified that he raised the issue directly with Mr. Tsakos. During the conversation he recalled that he asked Mr. Tsakos whether Mrs. Hatfield had been paid for her services. Rosenbaum testified that he had previously been told by Mrs. Tsakos that Mrs. Hatfield had been doing a lot of real estate-related work for her. Rosenbaum pointed out that in this country it is important for an individual to pay one's bills. He noted that Mrs. Hatfield was a businesswoman and that, if she was providing services to the Tsakoses, then she should be fairly compensated for those services. Rosenbaum testified that he believes that following this conversation both the doctor and the law firm received at least partial payment of their bills.

J. Mr. Basil Tsakos was interviewed on September 14, 1984 in Athens, Greece. Mr. Tsakos, a Greek national, has an interest in companies located in Athens, Geneva, London and Luxembourg. He apparently began to develop the concept of a crude oil pipeline across Northern Africa in the late 1970's and moved to Washington in 1980 in an effort to move the project along.

He said he recalled that he first met Senator and Mrs. Hatfield, probably in late 1981, as the result of a social contact between Mrs. Tsakos, Mrs. Hatfield, and Mrs. Carl Shipley.

Mr. Tsakos said that his wife is an independent person who controls her own finances and that it is his understanding that his wife entered into an oral agreement, at an early phase of their social relationship, with Mrs. Hatfield regarding professional real estate and related advice to be provided by Mrs. Hatfield, for which Mrs. Hatfield would be compensated. He said that his wife was solely responsible for making three of the four payments to Mrs. Hatfield and that he was responsible for making the fourth, at the direction of his wife.

Tsakos said that his personal relationship with Senator Hatfield was initially based on the social and business relationships of their spouses, but that his relationship with the Senator grew because of their shared religious convictions.

Tsakos said that he never asked or suggested that Senator Hatfield exercise any undue influence from his position as a Member of the Senate with respect to the TAPCO project. He said that it is his understanding of the American system of government that there was no legislative role for Senator Hatfield to play with respect to the TAPCO project because the project did not need any authorization or appropriations from the Congress. He said that his discussions with Senator Hatfield on the project related to the merits and focused on the geo-political considerations surrounding an alternative delivery source for Middle East crude oil.

Tsakos stated that he never discussed with Senator Hatfield an offer of the presidency of TAPCO and further said that he would not have entered into such a discussion because it would have been unseemly of him to have offered a Member of the United States Senate a position of lesser status, such as the presidency of a private company.

Tsakos acknowledged that he had a criminal background in Greece but that such criminal convictions were employer-employee related and of no greater extent than any other Greek businessman would face under the existing commercial laws in Greece.

K. Mrs. Laura Tsakos was interviewed on September 14, 1984 in Athens, Greece. She stated that she was first introduced to Mrs. Hatfield on July 31, 1981 at a social function hosted by Mrs. Nancy Shipley. Mrs. Tsakos said she was seated next to Mrs. Hatfield at lunch and, in the normal course of affairs as they began to converse, it became evident that Mrs. Hatfield was a real estate agent. Because the Tsakoses were then residing in the Watergate Hotel and were anxious to purchase a residence of their own, Mrs. Tsakos asked Mrs. Hatfield to find them a suitable residence. She recalls that Mrs. Hatfield showed her some 20 to 30 different Washington area properties and that it was Mrs. Hatfield who first mentioned to her that the Yerkes' apartment in the Watergate might be coming upon the market. She stated that it is her recollection that Mrs. Hatfield actually prepared the specific factual recitations which later were incorporated in the final contract of sale for the Watergate apartment.

After the purchase of the Watergate apartment, Mrs. Tsakos stated that Mrs. Hatfield, at her direction, continued to attempt to

develop a number of possible real estate investments in Washington, D.C., and Oregon. In fact, she stated that in December 1983, Mrs. Hatfield found a large property in Arlington, Virginia which the Tsakoses examined with the intent of developing it into a museum of Greek antiquities, which might eventually be left to the United States Government. In that regard, Mrs. Tsakos stated that the $15,000 check made payable to Mrs. Hatfield on April 18, 1984 represented compensation for Mrs. Hatfield's efforts regarding that particular property, as well as for Mrs. Hatfield's efforts in showing Mrs. Tsakos a series of other properties located in Northern Virginia. Further, she recalled that Mrs. Hatfield made substantial efforts to attempt to find a suitable house for the Tsakoses' son, Alexander, and his family in the Washington area. A number of such residences were pointed out by Mrs. Hatfield, although Alexander Tsakos was unable to decide on a final selection for his family. Mrs. Tsakos stated that while the Tsakoses were in Oregon in late 1983 for the wedding of the Hatfield's daughter, Mrs. Hatfield showed her a specific building as a potential investment property.

Regarding decorating advice on the Watergate apartment, Mrs. Tsakos said she specifically recalled many instances in which Mrs. Hatfield provided personal guidance regarding proposed architectural renovations and alterations. She said Mrs. Hatfield found fabric samples, a source for a European bed, glass mirrors, and other related architectural details. She stated that Mrs. Hatfield personally loaned a substantial amount of furniture to the Tsakoses which made it possible for the Tsakoses to move into their Watergate apartment in October 1982, prior to the time that the Tsakoses own furnishings had arrived from Greece. (This loaned furniture has been identified as: several Bentwood chairs, a Carl Foresman table which folds, two lamps, a bedroom table, and, possibly, a mattress.)

Mrs. Tsakos testified that she has no recollection of anyone suggesting to her that Mrs. Hatfield be compensated for her time and effort, and recalls that it was a judgment which she alone made based on her own previous experience in Europe, compensating the time of individuals who had helped her. She recalled specifically, that in connection with other properties owned by the Tsakoses in Europe, she had utilized the services of and compensated other individuals in a manner similar to that which she compensated Mrs. Hatfield. She stated that there was never a written agreement between Mrs. Hatfield and herself but that there was always a clear understanding that there would be some compensation for Mrs. Hatfield's considerable time and efforts.

She said she believes that the allegations surrounding her relationship with Mrs. Hatfield are largely the product of Margaret Chow's incomplete and inadequate knowledge of the Tsakoses financial and personal relationships, including the relationship which they had developed with the Hatfields. Mrs. Tsakos specifically pointed to the fact that Mrs. Chow did not come to Washington until mid-1982 and, that in fact, Mrs. Tsakos' relationship with Mrs. Hatfield had begun at least six months prior to that time, as had many of the earliest and most time-consuming efforts undertaken by Mrs. Hatfield.

40-666 O - 85 - 3

L. Mrs. Antoinette Hatfield was interviewed on September 10, 1984.

She stated that she met Mrs. Tsakos at a luncheon given by Mrs. Carl (Nancy) Shipley on July 31, 1981. She recalled Mrs. Shipley seated the two next to each other because Mrs. Shipley thought Mrs. Tsakos might become a good client.

She testified that in the two and a half to three months after the luncheon, she devoted a considerable amount of time showing Mrs. Tsakos a large number of properties in Northwest Washington and at the Watergate. Mrs. Hatfield said that shortly after she had shown Mrs. Tsakos an apartment at the Watergate, Mrs. Tsakos called her to say they had decided to buy an apartment directly from the seller. Mrs. Hatfield said she recalled telling Mrs. Tsakos she was pleased they had found an apartment and offered to do any further work Mrs. Tsakos desired. Mrs. Tsakos asked Mrs. Hatfield to see if the Watergate cooperative board would waive a newly-instituted policy against corporate ownership of apartments.

Mrs. Hatfield testified that she and the Senator invited the Tsakoses to Thanksgiving Dinner in 1981 at which time Mrs. Tsakos offered to pay for her real estate related services. Mrs. Hatfield testified that she at first declined that offer and recalls telling Mrs. Tsakos that it was a part of the real estate business not to be paid for the entire range of real estate services which a full service broker ordinarily renders. Mrs. Hatfield said she decided to accept the offer, however, when it was renewed at a restaurant dinner on a Sunday a few days later. She recalls she received her first payment from Mrs. Tsakos, for $15,000, at that dinner. Mrs. Hatfield stated that the payment was intended as compensation for the house-hunting work she had undertaken and redecorating assistance she was asked to undertake.

Mrs. Hatfield identified a copy of a letter from her to Mr. and Mrs. Tsakos dated December 30, 1981, as having been written by her. The letter acknowledges receipt of $15,000 for work performed in connection with the Tsakoses' purchase of their Watergate apartment. The identified letter is contained in the appendix to this report.

Mrs. Hatfield testified she learned how and why she received the first payment for $15,000 in a subsequent conversation with Mrs. Nancy Shipley. She recalled that Mrs. Shipley asked her whether she had been paid for her work and how much. When Mrs. Hatfield told her she had been paid $15,000, Mrs. Shipley said she was pleased because she had told Mrs. Tsakos that she should not take a great deal of Mrs. Hatfield's time without paying her.

Mrs. Hatfield stated that although she had not shown Mr. and Mrs. Tsakos the specific apartment they bought, she felt the fee was justified because her work in showing other properties allowed the Tsakoses to make an informed judgment on the Watergate apartment they did buy.

She testified that for more than three weeks in January and February 1982, she worked with a carpenter named Ed Pudleiner who prepared a bid on remodeling work for the Tsakoses' apartment and in that connection that Pudleiner got a bid from Columbia Glass for a mirror for the Tsakoses' bedroom.

She recalled that in early 1982, the Tsakoses were introduced, through their church, to interior designer Clemis Lascaris, who the Tsakoses decided to retain for their interior design work. She said that Mrs. Tsakos explained that although they would retain Lascaris for interior design, she wanted Mrs. Hatfield to look for investment properties and to look for a residence for their son, Alexander, and his wife.

Mrs. Hatfield testified that the redecoration project took nine or ten months, and that during this period she and Mrs. Tsakos were in constant communication on investment properties and on Mrs. Hatfield's opinion of the colors, flooring, and draperies that the Tsakoses were considering for their apartment.

Mrs. Hatfield testified that the subsequent payments of $15,000 on September 22, 1982, $10,000 on December 8, 1983, and $15,000 on April 18, 1984 were made with an implied understanding that she would be fairly compensated for the work she was performing for the Tsakoses. She testified that the work she was performing for these payments involved: consultations on decorating and furnishing the Watergate apartment; searching for a residence for the Tsakoses son; consulting on the sale of property owned by the Tsakoses in London, Paris, and Athens; consulting on the decorating of a Tsakos apartment in Paris; searching for investment properties for the Tsakoses; planning the sale of the Watergate apartment.

Mrs. Hatfield testified that she would not have spent the time and effort she did on these matters unless she felt she would be compensated fairly. She stated that if she had not been paid, she would have spent her time on other real estate activities which would have been compensated.

Mrs. Hatfield testified that she participated in discussions of the Trans-Africa pipeline soley and exclusively during dinner conversations with the Tsakoses and that such conversations about TAPCO were few and far between. She said that while she believes Mr. Tsakos asked the Senator to be president of TAPCO, neither she nor the Senator took the offer seriously. Mrs. Hatfield recalled that Mr. Tsakos also asked Mrs. Hatfield to be a director of TAPCO. She declined, she stated, because she attempts to stay totally out of the political aspects of her husband's life.

M. Senator Mark O. Hatfield was interviewed on September 10, 1984. He testified that he believes he and Mrs. Hatfield first met Mr. and Mrs. Tsakos at a large social function in 1981. He said he did not recall the conversation they had at that time. He believes that his wife was then re-introduced to Mrs. Tsakos at a luncheon given by Mrs. Nancy Shipley and that it was his impression that Mrs. Shipley was motivated, at least in part, by a desire to assist Mrs. Tsakos in finding a suitable Washington area residence.

Senator Hatfield stated that the first discussion he can recall with Mr. Tsakos about the Trans-Africa pipeline project occurred on August 23, 1982 at a dinner with Mr. Carl Shipley and Mr. Tsakos at the La Fleur restaurant in Washington, D.C. Senator Hatfield stated that he had a general interest in a trans-Africa pipeline before the date of this dinner because such a pipeline could provide an alternative to current U.S. policies in the Middle East and reduce the possibility of armed conflict over oil supplies. He said the effect of this dinner conversation with Tsakos and

Shipley was to increase his interest because he began to believe that there might be a serious effort to build such a pipeline. He stated that he was aware, by the date of the dinner, that Mrs. Hatfield had developed a professional relationship with the Tsakoses.

The Senator testified that the time he devoted to letter-writing, introductions, or discussions with Mr. Tsakos concerning the proposed pipeline project "would not equal one week of work on a wilderness bill." He testified that he had:

1. Talked about the pipeline concept on public platforms.
2. Referred Mr. Tsakos to:
   a. Senator James McClure, (R. Idaho), Chairman, Committee on Energy and Natural Resources;
   b. Secretary Donald Hodel, Department of Energy;
   c. Mr. Henry Kaufman, President, Exxon Corporation.
3. Discussed the concept and the project with Sudanese officials at a meeting with President Nimeri of the Sudan, which had been arranged by the Sudanese Ambassabor to the United States. Senator Hatfield testified that the Ambassador had called and asked that he meet with President Nimeri, who was in Washington on an official State visit. Senator Hatfield agreed to the Ambassador's request.

Senator Hatfield explained that for reasons of protocol, the Head of State always sets the agenda of any meeting with a Member of the United States Senate and initiates the discussion of any particular topic or subject. Therefore, it was President Nimeri who raised the pipeline issue, indicating that he had been informed that Senator Hatfield was interested in the project. Senator Hatfield testified that he told President Nimeri that he viewed the concept of a pipeline across Africa as a way of protecting world peace because it would provide an alternative to the shipping of crude oil to the West through the Straits of Hormuz. President Nimeri suggested that the pipeline would be an economic plus to his country, and similarly, would promote stability in the Central African Republic and the Cameroons as well. Senator Hatfield recalled that President Nimeri stated that he favored the project and had helped convince other countries to sign concession agreements with TAPCO and that only some "fine tuning" was needed to enable the Sudan to reach an agreement with TAPCO. Senator Hatfield testified that he had no knowledge of any involvement by Mr. Tsakos in the scheduling of the meeting. The Senator testified that following the meeting he did discuss Nimeri's comments with Tsakos. He also recalls he discussed the pipeline project with the Sudanese Ambassador to the United States, Ambassador Eissa, and with the Sudanese Minister of Energy when the Minister visited Washington.

The Senator testified that the letters of December 16, 1983 and January 3, 1984 arose as the result of a conversation with Tsakos. He recalled telling Mr. Tsakos of a series of meetings at the White House in which the Administration had asked for increased defense spending and that one reason cited for increased spending was the potential threat to the Persian Gulf. Senator Hatfield also said he told Tsakos that he had told Secretary of Defense Weinberger and others that they should consider an oil pipeline across Africa as an alternative to further militarizing the Gulf. Senator Hatfield testified that Tsakos then asked him to put his statement

in writing. He said he did so in his December 16 letter, which was drafted by Gary Barbour of the Appropriations Committee staff, after Hatfield had given him a general outline of what he wanted to say. Senator Hatfield testified that after receiving the letter, Tsakos asked the Senator to make two changes: to change the address to reflect Tsakos' business address instead of his apartment, and to show Ambassador Eissa as receiving a copy. Senator Hatfield said he had the letter retyped to show those changes, which are reflected in the January 3, 1984 letter.

Senator Hatfield stated that his only interest in the trans-Africa pipeline concept was based upon its geopolitical implications for U.S. security. He testified that he felt that the pipeline offered a viable and attractive alternative to increasing the U.S. military presence in the Middle East vis-a-vis an effort to protect the vulnerable Gulf sea lanes which carry much of the Western world's oil supplies.

The Senator stated that there were absolutely no discussions which would have lead the Senator to believe that Mr. Tsakos had an interest in using him as an "asset" in dealing with the U.S. Government. Senator Hatfield testified that he was aware that Tsakos had already informed officials at the State, Commerce and Energy Departments of his pipeline proposal prior to the time that Hatfield referred Tsakos to Energy Secretary Hodel.

Senator Hatfield testified that he saw no official U.S. Government role in the pipeline concept. He testified that the U.S. Government was not licensing or issuing permits for the project and that he saw himself acting as a geo-politician encouraging a concept rather than as a representative of the American Government.

The Senator acknowledged that on one occasion, when there was public speculation in 1983 as to whether the Senator would announce for re-election to the Senate, Tsakos offered him the presidency of the trans-Africa Pipeline Company. The Senator testified that he responded to the offer by replying that if he decided not to run for re-election, he would instead return to university life.

The Senator testified that he was aware that Mrs. Hatfield was helping the Tsakoses find a Washington residence and was present on one occasion, in late 1981, possibly at the restaurant of the Watergate Hotel, when Mrs. Tsakos provided Mrs. Hatfield with an envelope which the Senator believed to contain a check as payment for the services Mrs. Hatfield had provided in helping them find a residence. The Senator testified that he knew, both from conversations with his wife and through his own observation of her activities, that his wife had performed many services in connection with the renovation and redecoration of the Tsakoses' apartment. He testified that later he became aware that she was acting as a "buyer's broker" looking for potential investment properties for the Tsakoses.

The Senator testified that he knew, following the payment in late 1981 ($15,000 check dated November 30, 1981) that his wife was receiving other payments from the Tsakoses. He testified that he was not aware of the precise amount of the payments or when they were made.

The Senator stated that he did not know what services his wife performed for the $10,000 check she deposited on December 8, 1983,

but asserted that the payment was not related to the December 16, 1983 letter he sent to Basil Tsakos expressing support for a trans-Africa pipeline.

He stated that he was in a Washington, D.C., airport with his wife on their way to Oregon in April 1984, when Mr. Tsakos picked up from Mrs. Hatfield a deposit slip to be used in depositing a payment made by him to Mrs. Hatfield. The Senator testified that he believed that the payment was for services performed by his wife as a "buyer's broker" in looking for investment properties.

The Senator stated that he received a note in the mail from Carl Shipley, possibly in May, 1983, which contained a document which purported to be from the "confidential file on Basil Tsakos kept by Greek Security." The two-page document indicated that Mr. Tsakos had a criminal record in Greece and that Tsakos and his company were suspected of having engaged in international arms sales as well as in other illegal activities. The Senator noted that, because of his service on the Intelligence Committee, he suspected that the document was not authentic, noting that the document bore no identification, no signature, no letterhead, and no date. He said that he confronted Tsakos with the material and that Tsakos gave him exculpatory documents, which looked far more "official", and which purported to be from the Greek Ministry of Justice. The documents presented by Tsakos showed a title, a source, a signature, and a stamp.

Senator Hatfield stated that he believes that, following his receipt of the document from Shipley, he asked his attorney, Mr. Henry Levine, to look into the matter. (The Senator noted that it is his understanding that Mr. Levine believes his inquiries about Tsakos preceded the note from Shipley). The Senator testified that Mr. Levine's response was to the effect that his review indicated that Mr. Tsakos was, indeed, an honest businessman.

Senator Hatfield stated that he never received any information concerning alleged illegal arms transactions involving Mr. Tsakos. When he was told that a witness had given testimony that she had slipped information about an illegal arms deal under the door of the Senator's house, the Senator noted that his Georgetown residence contained several apartments and had several entrances. The Senator testified that it is possible that the document was put under the wrong door.

When asked whether he was in financial difficulty in the years 1981 to 1984, Senator Hatfield testified that there were times when his personal finances were a little bit strained, but stated that at all times his and his wife's assets outweighed their liabilities.

N. Three real estate brokers and agents, whose reputation and experience qualifies them as experts in the Washington area real estate market, and particularly in the "upper bracket" segment of that market, were interviewed. Those who specialized in the sale or purchase of luxury residences stated that income for most agents is earned and received in the form of a commission when they either have received an exclusive listing on the property being sold or are responsible for its sale. They noted, however, that agents often enter into agreements with prospective buyers or sellers which provide compensation to the agent based on time spent or services performed.

One broker, particularly experienced in commercial real estate, stated that agreements providing for compensation based on time spent or services performed are common in that practice. He also noted that agents frequently earn fees for supervising renovation, managing properties, or serving as consultants.

The brokers noted that all fees or other forms of compensation are subject to agreement between the parties. They agreed that, while the better practice was to have such agreements reduced to writing, this was only a "better practice" and that there are circumstances in which a particular agent might agree to provide services based on an oral understanding with the client.

VII. Conclusion

As a result of the testimony taken and documents received, the Committee, on September 25, 1984, agreed to the statement reprinted below. The statement is confined to the Committee's judgment relative to the conduct of Senator and Mrs. Mark O. Hatfield, and is qualified by its reference to the Department of Justice's inquiry. The Committee's conclusion was based upon the following factors:

(1) Documents and testimony indicate that Mrs. Hatfield did, in fact, perform real estate-related services for Mr. and Mrs. Tsakos in the period 1981–1984.

The documents and testimony indicate that Mrs. Hatfield's relationship with the Tsakoses began as a professional relationship and that, while it may have later developed into friendship, her attitude toward the Tsakoses continued in a professional vein. The probative documents include Mrs. Hatfield's letter of December 30, 1981, acknowledging receipt of a $15,000 "commission" on the purchase of the Tsakoses' apartment, and notes from Mrs. Hatfield and her associate Olga Esch, dated early 1984, on the potential sale of the apartment. Testimony which reported that Mrs. Hatfield did perform real estate services for the Tsakoses was received from Mr. Clemis Lascaris, Mr. Edmond Pudleiner, Mrs. Hatfield's associates, Haffler, Arnold, and Esch, Mrs. Nancy Shipley, Mr. Carl Shipley, and Mr. Joseph Rosenbaum.

(2) Only one of the four witnesses who expressed suspicions about the payments to Mrs. Hatfield was arguably in a position to have first-hand knowledge of the relationship between the Tsakoses and Mrs. Hatfield. That witness, Margaret Stocker Chow, was only present in this country for approximately 14 months during 1982 and 1983. She arrived in this country in June 1982, at least seven months after the Tsakoses purchased their apartment. Her statement that she had no knowledge of any real estate services provided by Mrs. Hatfield was directly contradicted by the testimony of Mr. Clemis Lascaris, who testified that Mrs. Tsakos told him, in Mrs. Chow's presence, of the real estate services being provided by Mrs. Hatfield.

(3) Not one witness provided evidence of any corrupt behavior on the part of Senator Mark O. Hatfield. Senator Hatfield's testimony that he supported the concept of a trans-Africa pipeline on its merits as being in the interests of peace in the Middle East is not contradicted by any testimony or documents.

Statement of the Senate Select Committee on Ethics on Certain Payments Made to Mrs. Mark Hatfield and the Conduct of Senator Mark Hatfield

The Senate Select Committee on Ethics has completed its review of the allegations raised against Senator Mark Hatfield concerning payments made to Mrs. Hatfield by Mr. and Mrs. Basil Tsakos.

In the course of its review of the matter, Committee staff has taken the sworn testimony of a number of material witnesses (including the principals) who either had personal knowledge of the Senator and Mrs. Hatfield's relationship with Mr. and Mrs. Tsakos, or the payments made to Mrs. Hatfield, or matters related to those payments, such as the services rendered by Mrs. Hatfield to Mr. and Mrs. Tsakos. The Committee staff also carefully reviewed pertinent actions, discussions, and other relevant matters related to Senator Hatfield's conduct surrounding his support of the concept embodied in the Trans-African Pipeline project. With regard to both Senator Hatfield and Mrs. Hatfield, the Committee staff requested and received documents pertinent to the Committee's review.

Finally, Committee staff interviewed expert witnesses who provided information on real estate sales, promotion, purchasing, and fee and service practices within the Washington, D.C. metropolitan area.

The Committee having reviewed the inquiry conducted by staff has found no credible information sufficient to cause the Committee to initiate a "preliminary inquiry".

The Committee feels that the information in its possession is sufficient and complete enough to reach this conclusion concerning the Senator and Mrs. Hatfield, and consequently the Committee's review of this matter is terminated. The Committee recognizes, however, that the Department of Justice has an independent responsibility to come to its own determination on these transactions. If, because of new information or for some other legitimate reason, the results of that process should suggest the need for another review of these transactions the Committee's actions today will not preclude it from such a review.

APPENDIX

1. A letter from Antoinette Hatfield to Mr. and Mrs. Basil Tsakos, dated December 30, 1981.
2. A description of the Tsakoses' London Flat prepared by Antoinette Hatfield for prospective buyers.
3. A notation on Antoinette Hatfield's desk calendar for March (year unknown).
4. A memo to the Tsakoses from Antoinette Hatfield, dated March 21, 1984.
5. Notation on Antoinette Hatfield's desk calendar, November 30, 1981: "Governor Peabody—457-1013. Re Tsakos—Membership Committee advised him to get statement from his Swiss bank and to say income over one million or whatever--discussed 30th Street house 450,000—listed with Terry Robinson."
6. Notation on Antoinette Hatfield's desk calendar Oct. 30, 1981: Board of Watergate when they meet—any way of guaranteeing the corp. responsibility."
7. Five pages of notes written by Olga Esch around April 1984 on the estimated sales price of the Tsakoses' apartment.
8. Letters from Senator Hatfield to Basil Tsakos, dated December 16, 1983 and January 3, 1984.

COPY

December 30, 1981

Mr. & Mrs. Basil Tsakos
Suite # 519
Watergate Hotel
Washington, D.C. 20037

Dear Mr. and Mrs. Tsakos

This is to acknowledge receipt of your check for $15,000 for the work we did in helping you with the purchase of your Watergate apartment.

I am enclosing a copy of the endorsed check for your files. When the contract is completly ratified would you be kind enough to send us a photographed copy of same for our files noting on the contract that you paid our commission.

Thank you for your loyal vote of confidence. We look forward to working with you in the future on any of your real estate needs.

Sincerely,

Antoinette Hatfield

/pf

Enclosure

ATTACHMENT A

Antoinette Hatfield, Inc.
3147 Dumbarton Ave., N.W., Washington, D.C. 20007 - 202/298-7300

18 GROSVNER SQUARE
LONDON, ENGLAND

3 MILLION POUNDS FURNISHED

SEVEN FLOORS

EACH FLOOR IS A FLAT (FLAT CONTAINED ON TWO FLOORS)

FACING BY SIDE U.S.EMBASSY

NEXT DOOR U.S. EMBASSY MARINE MINESTRY

650 METERS

6th FLOOR 90 SQUARE METERS

LIVING ROOM

DINING ROOM

LIBRARY

LARGE KITCHEN/MODERN SALON FOR SERVANTS

2 LIFTS (1) SERVANT (1) OWNER

BIG ROOM WITH BATH (STUDY)

BIG BIG 40 SQUARE METERS BR GOLD PRIVAT BATH

BATH ON RIGHT SERVICE

BATH & BED plus 2 MORE ROOMS FOR SERVICE

STAIRCASE TO 7th FLOOR

on left BIG BEDROOM 25 SQUARE METERS WITH PRIVATE BATH

BIG SALON (LR) TO TERRACE (200 square meters tile)

SMALL ROOM ON TERRACE IS GLASSED IN.

RIGHT POWDER ROOM .
SIX BEDROOMS

GROUND LEASE 53 YEARS PAID EVERY YEAR

CONDO FEE APPROXIMATELY 600 pounds month

3 Million pounds furnished

Notes and Memos Made in March

ATTACHMENT C

Memo

3/21/84

From ANTOINETTE HATFIELD

To Basil & Laura Tsakos.
Re: listing apt 602 WSW

Please sign the attached and return to me. I suggest the price be 1,250,000 rather than the 1,350,000 —

Call me when you return on Friday

Love, Antoinette

SERVICES PERFORMED TODAY — MONDAY 334th Day • NOVEMBER, 1981 — 30

HOUR — DESCRIPTION OF SERVICES — TIME

10

11

12

1

4

5

NIGHT HOURS

Gov Reabsdy — 457-1013
re Idaho Membership Committee
advised him to get statement from Gen Sawtooth
Energy re DOE income disclosure rule or
whatever
discussion 30 to 45 minutes 450,00 — closed
with Glenn Robinson

FRIDAY 30

SERVICES PERFORMED TODAY

303rd Day • OCTOBER, 1981

HOU

9 Klara: Brd & Wife When they
But - Daughter & grandsons
the corp. Rep! &

10

11

12

1

2

3

4

5

NIGHT HOURS

PRINTED IN U.S.A.

Antoinette Hatfield, Inc.
REALTORS

OGLA ESCH
(202) 298-7300

3147 DUMBARTON AVE., N.W.
WASHINGTON, D.C. 20007

WATERGATE OPERATING COSTS INCLUDE:

PAYROLL AND PAYROLL TAXES
ALL UTILITIES
MANAGEMENT EXPENSES
ADMINISTRATIVE COSTS
MAINTENANCE AND REPAIRS - COMMON AREAS
HOUSEKEEPING
INSURANCE
REAL ESTATE TAXES
SWIMMING POOL AND GROUNDS
GROUND RENT
RESERVE FOR CONTINGENCIES
EVERYTHING - EXCEPT TELEPHONE

WATERGATE West - #101

APARTMENT NUMBER 602 GARAGE NUMBER 337

SQUARE FEET 2330

SALES PRICE: $1,350,000

MORTGAGE AVAILABLE: $_____ INTEREST RATE: _____%

CASH REQUIRED: $_____

MONTHLY MORTGAGE: $_____

OPERATING COSTS: $_____

CARRYING CHARGE: $_____

REAL ESTATE TAXES AND INTEREST ON THE MORTGAGE PAYMENTS ARE TAX DEDUCTABLE. A STATEMENT IS FURNISHED BY THE COOPERATIVE YEARLY FOR EACH MEMBER OWNER.

AKH.

To Reach me:
Mary's Office -
293-2738

Welch ✓
Teskos ✓
Dot in Fathull - ? fm. Davis - ✓ NO
Denny Smith - the Court - ✓
Mrs Smith - 1661 Crescent Pl. ✓ #601 -
MLR - Used listing - $215,000

804 - 462 - 5366 - ✓
Office - Said "No" - They were called & so informed.

7-10-64

1. Corrot 387-2040 - 1146 -
2. Bush -
3. Sack -

Sayle -
Smith - 225-5711
Sack - 775-0725 -
Smith -

From the desk of
OLGA ESCH

342-2144 (#)
Mrs. (#)

Maria - Le Roy 338-0455 #
1,350,000 -

Marion + Betty office
333-7353
"Bella"

Le Roy

WESTIN HOTELS
Bellevue-Stratford

Bella - 333-7353
Maria 342-2144
338-0455

#602

Maryann - 25-23rd.

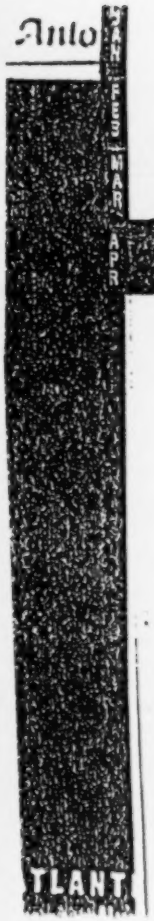
#602 1,350,000
From
P.R. Maria
Marble

Kit. #337 Garay
Gus.
Wendy Jamin
Rubin
Mark Scott
Maria
Second Bid.
Barb Fred

For reservations at any of our hotels worldwide call
1-800-228-3000

From the desk of
OLGA ESCH

Monday - Watergate West
1:30.
Princess -
Greenberg + another agent.
Shannon + Luchs.
466-8650



April 1984

March 1984						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April 1984						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May 1984						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

MONDAY 2 April 093/273

staff -

1:30 Watergate -

Cape Hill Properties - 639
Shopping Center - 3 BC - SE
- C - ME
Huntsville Mall - NE.

TUESDAY 3 April 094/272

Paul Hollis - R.M.I. - Now.

WEDNESDAY 4 April 095/271

This week

Monday Wgw —
602 - $1700

Tuesday garagespace —
1st 337

Wednesday

Thursday

Friday

Saturday

Sunday

Compliments ABC Printers, Inc., Salem, Oregon

MARK ANDREWS N DAK
JAMES ABDNOR S DAK
ROBERT W KASTEN JR WIS
ALFONSE M D'AMATO N Y
MACE MATTINGLY GA
WARREN RUDMAN N H
ARLEN SPECTER PA
PETE DOMENICI N MEX
EAGLETON MO
J BENNETT JOHNSTON LA
WALTER D HUDDLESTON KY
QUENTIN N BURDICK N DAK
PATRICK J LEAHY VT
JIM SASSER TENN
DENNIS C CONCINI ARIZ
DALE BUMPERS ARK
J KEITH KENNEDY STAFF DIRECTOR
THOMAS L VAN DER VOORT MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

January 3, 1984

→Communication re Pipeline

Mr. Basil A. Tsakos
President
Trans-African Pipeline Corporation
Suite 616
600 New Hampshire Avenue, N.W.
Washington, D.C. 20037

Dear Basil:

This is to thank you for the preliminary information you have provided regarding the Trans-African pipeline project and let you know that I have reviewed it carefully. While I am not personally qualified to comment on the technical or economic feasibility of such a project, as a national policy maker, I do find the project to have profound and potentially beneficial impacts on this country's energy and foreign policies. Let me explain my thinking in more detail.

As you know, it was just after World War II that petroleum emerged as the world's most predominant source of energy. More importantly, however, it was not until the early 1970s that the U.S. first came to grips with the fact that our principal sources of petroleum were foreign controlled. Since that time, the U.S. and other industrialized nations have significantly reduced their dependence on crude oil. Nevertheless, the fact remains that Middle East oil will continue to be the primary source of world petroleum for the foreseeable future and, consequently, the cornerstone of this country's energy and foreign policies in the Middle East. With that brief background, it is easy to see that the Trans-African pipeline project portends enormous consequences for both international energy policy and U.S. relations in the Middle East.

In that regard, I would like to address a number of specific points about the project which I believe could benefit U.S. geopolitical strategies if such a project were to become operational. First, the construction of a Trans-African pipeline would create an important alternative delivery system for precious petroleum to the Western Hemisphere, making oil for Western markets available in Duala, on the west coast of Africa. Clearly, the U.S. has become less dependent on Middle Eastern oil and is relying more heavily on products from Mexico and South America. However, the pending financial crisis facing these developing nations must be viewed as a cloud over the security of future petroleum supplies from those nations, just as military

incursions threaten delivery routes through the Straits of Hormuz. At a minimum, an alternative delivery system from the Persian Gulf oil field would diminish the incentives for military actions which may block the transport of oil and could hopefully provide a secure and lasting system for the ultimate distribution of oil to the free world.

Second, the construction of a Trans-African pipeline would create an alternative transportation mode which could yield lower net costs to bulk purchases and hopefully stabilize drastic price fluctuations associated with worldwide petroleum shortfalls. While much depends on the final construction design, method of financing, and quantity of purchase contracts, it appears that a route across the continent to a west coast port of Duala in Cameroon would save nearly 10,000 miles of steaming-time now required to ship oil around the Cape. When multiplied by the total number of barrels of oil produced from the Middle East fields, this cumulative cost savings could be enormous. In light of the economic "drain" resulting from the price increases of the 1970s, any cost savings associated with petroleum production or transportation would allow for strained financial resources to be deferred to other worthy capital and humanitarian programs and projects. I am convinced that the "after-shock" of the oil crisis of the 1970s is still having a deleterious effect on the U.S. economy and must be mitigated if the international economy is to survive the 1980s.

Finally, given the importance of petroleum to our foreign policy objectives in the Middle East, an alternative transportation route would provide a unique opportunity to develop a truly comprehensive foreign policy, one which is based on security and partnership, not one which is centered around vulnerability and mistrust. I am excited about these possibilities and hope that your plans for construction of a Trans-African pipeline can indeed help precipitate economic and political stabilization in this part of the world.

I want to thank you once again for providing me the information about the Trans-African pipeline and for allowing me to share with you my views about the potential benefits which could be realized if such a project were to become operational.

Kindest personal regards.

Sincerely,

Mark O. Hatfield
Chairman

cc: Ambassador Omer Salih Eissa

Donald P. Hodel
Secretary, Department of Energy

James A. McClure
Chairman, Energy and Natural Resources Committee

ENERGY Committee

MARK O. HATFIELD, OREG., CHAIRMAN
STEVENS, ALASKA
W. V. ROTH, JR., DEL.
JAKE GARN, UTAH
THAD COCHRAN, MISS.
MARK ANDREWS, N. DAK.
JAMES ABDNOR, S. DAK.
ROBERT W. KASTEN, JR., WIS.
ALFONSE M. D'AMATO, N.Y.
MACK MATTINGLY, GA.
WARREN RUDMAN, N.H.
ARLEN SPECTER, PA.
PETE V. DOMENICI, N. MEX.
J. KEITH KENNEDY, STAFF DIRECTOR
FRANCIS J. SULLIVAN, MINORITY STAFF DIRECTOR
JOHN C. STENNIS, MISS.
THOMAS F. EAGLETON, MO.
LAWTON CHILES, FLA.
J. BENNETT JOHNSTON, LA.
WALTER D. HUDDLESTON, KY.
QUENTIN N. BURDICK, N. DAK.
PATRICK J. LEAHY, VT.
JIM SASSER, TENN.
DENNIS DE CONCINI, ARIZ.
DALE BUMPERS, ARK.

United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

December 16, 1983

Communication re Pipeline

Mr. Basil A. Tsakos
Watergate West
2700 Virginia Avenue, N.W.
Washington, D.C. 20037

Dear Basil:

This is to thank you for the preliminary information you have provided regarding the Trans-African Pipeline project and let you know that I have reviewed it carefully. While I am not personally qualified to comment on the technical or economic feasibility of such a project, as a national policy maker I do find the project to have profound and potentially benefical impacts on this country's energy and foreign policies. Let me explain my thinking in more detail.

As you know, it was just after World War II that petroleum emerged as the world's most predominent source of energy. More importantly, however, it was not until the early 1970's that the U.S. first came to grips with the fact that our principle sources of petroleum were foreign controlled. Since that time, the U.S. and other industrialized nations have significantly reduced their dependence on crude oil. Nevertheless, the fact remains that Middle East oil will continue to be the primary source of world petroleum for the foreseeable future, and consequently, the cornerstone of this country's energy and foreign policies in the Middle East. With that brief background it is easy to see that the Trans-African pipeline project portends enormous consequences for both international energy policy and U.S. relations in the Middle East.

In that regard, I would like to address a number of specific points about the project which I believe could benefit U.S. geopolitical strategies if such a project were to become operational. First, the construction of a Trans-African pipeline would create an important alternative delivery system for precious petroleum to the western hemisphere. Clearly, the U.S. has become less dependent on Middle Eastern oil and is relying more heavily on products from Mexico and South America. However, the pending financial crisis facing these developing nations must be viewed as a cloud over the security of future petroleum supplies from those nations just as military incursions threaten delivery routes through the Straights of Hormuz. At a minimum, an alternative delivery system from the Persian Gulf oil field would diminish the incentives for military actions which may block the transport of oil, and could hopefully provide a secure and lasting system for the ultimate distribution of oil to the free world.

Second, the construction of a Trans-African pipeline would create an alternative transportation mode which could yield lower net costs to bulk purchases and hopefully stabilize drastic price fluctuations associated with worldwide petroleum shortfalls. While much depends on the final construction design, method of financing and quantity of purchase contracts, it appears that a route across the continent to a west coast port would save nearly 10,000 miles of steaming-time now required to ship oil around the Cape. When multiplied by the total number of barrels of oil produced from the Middle East fields, this cumulative cost savings could be enormous. In light of the economic "drain" resulting from the price increases of the 1970's any cost savings associated with petroleum production or transportation would allow for strained financial resources to be deferred to other worthy capital and humanitarian programs and projects. I am convinced that the "after-shock" of the oil crisis of the 1970's is still having a delitorious affect on the U.S. economy and must be mitigated if the international economy is to survive the 1980's.

Finally, given the importance of petroleum to our foreign policy objectives in the Middle East, an alternative transportation route would provide a unique opportunity to develop a truely comprehensive foreign policy, one which is based on security and partnership, not one which is centered around vulnerability and mistrust. I am excited about these possibilities and hope that your plans for construction of a Trans-African pipeline can indeed help precipitate economic and political stabilization in this part of the world.

I want to thank you once again for providing me the information about the Trans-African pipeline and for allowing me to share with you my views about the potential benefits which could be realized if such a project were to become operational.

Kindest personal regards.

Sincerely,

Mark O. Hatfield
Chairman

cc: Donald P. Hodel
Secretary, Department of Energy

James A. McClure
Chairman, Energy and
Natural Resources Committee

○